

# CHAPTER I

## INTRODUCTION

At the beginning of this chapter describes the opening of the whole research. It covers up the research background, research problems, research objectives, research limitations, research contributions, and research outline. This discussion is related to the emergence of a sense of global identity towards customer purchase intention of Apple products based on the perception of luxury value in Jabodetabek.

### **1.1 Research Background**

Globalization is created due to the development of increasingly advanced technology that makes it easier for people to get information from various countries. In addition, interaction with various people around the world becomes easier so that individuals better understand and feel there are similarities with people in other countries. There are similar behaviors and attitudes from various people throughout the country that shape the global culture.

Global-oriented consumers are attracted to the global culture, thus creating a new segment of global consumers. This is an opportunity for various global companies to market their products to various countries. Supported by the development of technology, communication, and logistics that are increasingly advanced to make international business operations to various countries easier.

Indonesia is one of the countries that is the target market of global companies because the population of Indonesia has a high level of consumption and welcomes

globalization, especially in major cities such as Jakarta, Bandung, and Surabaya. This is evidenced by The Deputy Governor of Bank Indonesia Dody Budi Waluyo who said that public consumption is high enough to encourage the continuation of economic growth (Ulya, 2019).

This year, Indonesian president Joko Widodo (Jokowi) said, the global crisis due to the coronavirus disease 2019 pandemic (covid-19) is in sight (Putri, 2020). Therefore, in 2020 the global economy is projected to contract sharply by –3 percent, much worse than during the 2008–2009 financial crisis (IMF, 2020). With the current global economic crisis, it has sounded an "alarm" that makes people more literate about finances. The importance of managing finances well will help to get through this economic crisis easily.

Wise in managing finances is closely related to modern lifestyles and consumption patterns. In this period of prolonged financial uncertainty, consumers will tend to cutting back on most discretionary categories (secondary needs & tertiary needs) and are more willing to continue shifting their spending to primary needs (McKinsey, 2020). Although purchase intention is quite weak in the discretionary categories, a clearer understanding of customer purchase intention is urgently needed. Because reported by the official website Apple, (2020), the company posted quarterly revenue of \$ 59.7 billion, an increase of 11 percent from the year-ago quarter, and 60 percent of total revenue during the period was contributed by international sales. This can be seen in Figure 1.1 describes Apple reports third quarter results.

## Figure 1.1 Apple Reports Third Quarter Results Based on Net Sales

Apple Inc.

### CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

(In millions, except number of shares which are reflected in thousands and per share amounts)

|                                | Three Months Ended |               | Nine Months Ended |               |
|--------------------------------|--------------------|---------------|-------------------|---------------|
|                                | June 27, 2020      | June 29, 2019 | June 27, 2020     | June 29, 2019 |
| Net sales:                     |                    |               |                   |               |
| Products                       | \$ 46,529          | \$ 42,354     | \$ 170,598        | \$ 162,354    |
| Services                       | 13,156             | 11,455        | 39,219            | 33,780        |
| Total net sales <sup>(1)</sup> | 59,685             | 53,809        | 209,817           | 196,134       |

*Source: Newsroom, direct from Apple Inc. (June 2020)*

Indonesia is one of the countries included in the Asia Pacific region. The company posted quarterly revenue of \$ 4.2 billion, an increase of 17 percent from last year's quarter. When viewed from the net sales by category, iPhone sales dominate sales of other Apple products. This can be seen in Figure 1.2 describes Apple reports third quarter results based on net sales by reportable segment and category.

## Figure 1.2 Apple Reports Third Quarter Results Based on Net Sales by Reportable Segment and Category

<sup>(1)</sup> Net sales by reportable segment:

|                      |           |           |            |            |
|----------------------|-----------|-----------|------------|------------|
| Americas             | \$ 27,018 | \$ 25,056 | \$ 93,858  | \$ 87,592  |
| Europe               | 14,173    | 11,925    | 51,740     | 45,342     |
| Greater China        | 9,329     | 9,157     | 32,362     | 32,544     |
| Japan                | 4,966     | 4,082     | 16,395     | 16,524     |
| Rest of Asia Pacific | 4,199     | 3,589     | 15,462     | 14,132     |
| Total net sales      | \$ 59,685 | \$ 53,809 | \$ 209,817 | \$ 196,134 |

<sup>(1)</sup> Net sales by category:

|                                 |           |           |            |            |
|---------------------------------|-----------|-----------|------------|------------|
| iPhone                          | \$ 26,418 | \$ 25,986 | \$ 111,337 | \$ 109,019 |
| Mac                             | 7,079     | 5,820     | 19,590     | 18,749     |
| iPad                            | 6,582     | 5,023     | 16,927     | 16,624     |
| Wearables, Home and Accessories | 6,450     | 5,525     | 22,744     | 17,962     |
| Services                        | 13,156    | 11,455    | 39,219     | 33,780     |
| Total net sales                 | \$ 59,685 | \$ 53,809 | \$ 209,817 | \$ 196,134 |

*Source: Newsroom, direct from Apple Inc. (2020)*

In uncertain times due to the coronavirus pandemic, the Apple company can still survive and grow. However, what impulse caused this to happen? Apple is no longer just an electronics company, but it is and has been for quite a while, a luxury company (Murphy, 2018). The alleged shift from pure technology company to

(luxury brand) has seen Apple sell not just laptops and iPhones, but something more intangible (an aesthetic & a design ethos) such as design patent-protected shopping bags and legally-protected store designs, right down to the chairs and planters (Murphy, 2018).

By the co-head of HSBC's Global Consumer & Retail Equity Research, Erwan Rambourg, stating, "Apple's rollout of more expensive iPhone models," (pro series) for instance in 2020, "is a sign the smartphone maker is moving further into the luxury market" and it has been proven by statement, Bloomberg's Narae Kim and Kana Nishizawa stated that "Apple's pricey new phone means it looks a lot like Louis Vuitton", they were referring to the iPhone X at the time (TFL, 2018).

Luxury has an "exclusive" characteristic, making it a main factor that differentiates a brand in a product category and is a central driver of consumer preferences and usage (Hennigs et al., 2012). In previous studies explain the motivations of luxury consumption by "the perceived value of luxury" which represents consumers' individual evaluation and perception of luxury products (Yang et al., 2018). The perceived value of luxury consists of functional values, individual values and social values. In which these values are important, to find out more clearly about the reasons consumers intend to buy Apple products.

Based on data released by the United States research institute, Gartner, it is seen that worldwide smartphone sales to end-users totaled 366 million units in the third quarter of 2020, down 5.7% from the third quarter of 2019, and among the top five smartphone manufacturers, Samsung held the No. 1 position with 22% market share (See Table 1.1). Xiaomi moved ahead of Apple into the No. 3 position for the first

time ever with sales of 44.4 million units compared to Apple’s sales of 40.5 million units in the third quarter of 2020 (Goasduff, 2020).

**Table 1.1 Worldwide Top 5 Smartphone Sales to End Users by Vendor in 3Q20 (Thousands of Units)**

| <b>Vendor</b> | <b>3Q20<br/>Units</b> | <b>3Q20<br/>Market<br/>Share (%)</b> | <b>3Q19<br/>Units</b> | <b>3Q19<br/>Market<br/>Share (%)</b> | <b>3Q20-3Q19<br/>Growth<br/>(%)</b> |
|---------------|-----------------------|--------------------------------------|-----------------------|--------------------------------------|-------------------------------------|
| Samsung       | 80,816.0              | 22.0                                 | 79,056.7              | 20.3                                 | 2.2                                 |
| Huawei        | 51,830.9              | 14.1                                 | 65,822.0              | 16.9                                 | -21.3                               |
| Xiaomi        | 44,405.4              | 12.1                                 | 32,927.9              | 8.5                                  | 34.9                                |
| Apple         | 40,598.4              | 11.1                                 | 40,833.0              | 10.5                                 | -0.6                                |
| OPPO          | 29,890.4              | 8.2                                  | 30,581.4              | 7.9                                  | -2.3                                |
| Others        | 119,117.4             | 32.5                                 | 139,586.7             | 35.9                                 | -14.7                               |
| <b>Total</b>  | <b>366,658.6</b>      | <b>100.0</b>                         | <b>388,807.7</b>      | <b>100.0</b>                         | <b>-5.7</b>                         |

*Source: Gartner (November 2020)*

Towards the end of 2020, early signs of recovery can be seen in a few markets, particularly in Indonesia. Near normal conditions in China improved smartphone production to fill in the supply gap in the third quarter which benefited sales to some extent, said Anshul Gupta, senior research director at Gartner. “For the first time this year, smartphone sales to end users in three of the top five markets i.e., India, Indonesia and Brazil increased, growing 9.3%, 8.5% and 3.3%, respectively” (Goasduff, 2020).

In the third quarter of 2020, Apple only managed to sell 40.6 million iPhones, with a market share of 11.1. Meanwhile, last year, Apple's total iPhone sales reached 44.8 million units, with a market share of 10.5. Although it experienced a slight decrease of 0.6 percent compared to 2019, said Annette Zimmermann, research vice president at Gartner. “The slight decrease was mainly due to Apple’s delayed shipment start of its new 2020 iPhone generation, which in previous years

would always start mid/end September. This year, the launch event and shipment start began 4 weeks later than usual” (Goasduff, 2020).

Based on the circumstances described above, the authors are interested in conducting further research to determine the relationship between Global Identity, Perceptions of Luxury Value (which consists of Functional Value, Individual Value, and Social Value) and Customer Purchase Intention. This research is replicated from previous research conducted by Jie Yang, Jieqiong Ma, Mark Arnold, and Krittinee Nuttavuthisit (2018) entitled "Global identity, perceptions of luxury value and consumer purchase intention: a cross-cultural examination".

## **1.2 Research Problems**

The research questions that one can conclude are as follows:

1. Does Global Identity is directly and positively related to Customer Purchase Intention of Luxury Products?
2. Does Perceived Functional Value positively mediates the positive relationship between Global Identity and Customer Purchase Intention of Luxury Products?
3. Does Perceived Individual Value positively mediates the positive relationship between Global Identity and Customer Purchase Intention of Luxury Products?
4. Does Perceived Social Value positively mediates the positive relationship between Global Identity and Customer Purchase Intention of Luxury Products?

### **1.3 Research Objectives**

The research objectives that one can conclude are as follows:

1. To find out the direct and positive effect of Global Identity toward Customer Purchase Intention of Luxury Products.
2. To find out whether Perceived Functional Value can positively mediate the positive relationship between Global Identity and Customer Purchase Intention of Luxury Products.
3. To find out whether Perceived Individual Value can positively mediate the positive relationship between Global Identity and Customer Purchase Intention of Luxury Products.
4. To find out whether Perceived Social Value can positively mediate the positive relationship between Global Identity and Customer Purchase Intention of Luxury Products.

### **1.4 Research Limitations**

The scope of this research will be limited to several conditions, which will be explained as follows: This study is only limited to research of luxury products (iPhone products) of Apple and data will be collected only from people who rely on smartphones in their daily lives in the Jabodetabek.

### **1.5 Research Contribution**

The research contribution that one will describe are as follows:

- Theoretical Contribution

This study helps as a reference material for future researchers even when there are differences in the variables.

- **Practical Contribution**

This research provides assistance to companies or organizations as a reference material for formulating strategies in global product marketing in various countries, especially in studying the movement of consumer behavior in Jabodetabek.

## **1.6 Research Outline**

The research outline that one will describe systematically are as follows:

- **CHAPTER I : INTRODUCTION**

The first chapter consists of general explanations about the research problem discussed in this study. There are six subtopics, which are research background, research problems, research objectives, research limitations, research contribution, and research outline.

- **CHAPTER II : LITERATURE REVIEW**

The second chapter contains the theoretical basis of each variable. It covers up the Global Identity, Perceptions of Luxury Value, and Purchase Intention of Luxury Products, and also includes, Previous Research, Hypothesis Formulation and Research Model.

- **CHAPTER III : RESEARCH METHOD**

The third chapter contains research methods. It covers up the Research Paradigm, Type of Research, Research Strategy, Study Setting, Extend of

Research Interface, Unit of Analysis, Time Horizon, Data Collection Methods, Design and Number of Sample, Conceptual and Operational Definition, and Data Analysis Method.

- **CHAPTER IV : RESULTS & DISCUSSION**

The fourth chapter which contains the results and discussion. It covers up the Profile of the Respondents, Preliminary Test Study, Descriptive Statistics, Inferential Statistics, Discussion.

- **CHAPTER V : CONCLUSION & RECOMMENDATION**

The fifth chapter contains the conclusion from the research results and suggestions that are useful for parties related to theoretical Implications and managerial Implications.

